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**FORMER INVERWORLD CHAIRMAN OF THE BOARD  
PLEADS GUILTY TO FEDERAL CONSPIRACY AND MONEY LAUNDERING CHARGES**

**(SAN ANTONIO, TEXAS) JOEY ZOLLINO**, the former Chairman of the Board of InverWorld Holdings, Inc., InverWorld, Inc., and InverWorld Securities, Inc. faces twelve years in federal prison after pleading guilty this morning to his role in a complex pyramid scheme that resulted in the 1999 collapse of the InverWorld group of companies. As a result of the fraudulent scheme, more than 1,200 investors from Mexico and Venezuela were victimized to the tune of an estimated \$325 Million.

Appearing before United States District Judge Edward C. Prado, Zollino pled guilty to one count of conspiracy to commit fraud and one count of conspiracy to commit money laundering. In his plea, Zollino admitted that he, along with other officers and employees of the InverWorld companies, committed fraud by failing to advise InverWorld clients of the true financial conditions of the InverWorld companies prior to the collapse in June 1999.

Under Zollino's direction, InverWorld companies engaged in a practice of "short selling" client securities, that is, taking orders and funds from clients for the purchase of securities but failing to purchase the securities while issuing account statements reflecting that the clients in fact owned such securities. In addition, InverWorld companies sold clients securities without their clients' consent and continued to issue account statements to clients reflecting that they still owned the securities.

He further admitted that to conceal their financial problems from auditors, clients, and counterparties, the InverWorld companies engaged in a series of international “circular” financial transactions. These transactions involved transfers of funds from inside the U.S. to and through locations outside the U.S., and vice versa. By completing the transactions, Zollino removed unproductive and valueless assets from the books of IG Services, Ltd. (a Cayman Island corporation that held most of the assets of the InverWorld companies) and replaced them with what appeared to be new and valuable assets. From 1993 to 1999, hundreds of millions of dollars were sent through these circular transactions, including specifically \$272,000,000 that were transferred in December, 1997 and January, 1998. These transactions allowed IG Services Ltd. to receive unqualified audit reports from the accounting firm of Deloitte & Touche. Zollino provided these unqualified reports to clients and financial institutions in order to obtain financial loans and to keep the InverWorld operation going.

Zollino remains in federal custody. Zollino’s co-defendant—former InverWorld President **GEORGE FAHEY**—is awaiting sentencing after pleading guilty last December to one count each of investment fraud and conspiracy to commit money laundering.

InverWorld, a San Antonio-based investment adviser firm, closed its doors on June 25, 1999. The firm was placed into a receivership and is undergoing liquidation through the federal bankruptcy court here in San Antonio and a parallel bankruptcy proceeding in the Cayman Islands. Also, a \$475 Million civil enforcement action (Docket # SA 99 CA 0822 FB) against InverWorld, Inc., by the Securities Exchange Commission has been stayed pending the completion of this criminal matter.

The case was investigated by the Federal Bureau of Investigation and IRS - Criminal Investigation. Detective Chief Inspector Brian Gibbs, CPM, Head of Financial Reporting Unit of the Cayman Islands and the Directora General Adjunta de Investigacion de Operaciones Presente from Mexico’s Hacienda assisted in the investigation. Through the Mutual Legal Assistance Treaty and the Proceeds of Criminal Conduct law, both arranged interviews with witnesses and Government officials and coordinated information requests with court officials. Assistant United States Attorneys Charles Jenkins and William Harris are prosecuting this case on behalf of the Government.

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